



BEER INSTITUTE

TESTIMONY RE: HOUSE BILL 5021

*AN ACT CONCERNING COMPETITIVE ALCOHOLIC LIQUOR PRICING AND HOURS
OF OPERATION FOR PERMITTEES*

The Beer Institute, established in 1986, is the national trade association for the brewing industry, representing both large and small brewers, as well as importers and industry suppliers throughout the United States. Thank you for the opportunity to submit this written testimony in support of ***House Bill 5021 AN ACT CONCERNING COMPETITIVE ALCOHOLIC LIQUOR PRICING AND HOURS OF OPERATION FOR PERMITTEES.***

We believe the Governor's bill is good for the consumers and economy of Connecticut and will make Connecticut more competitive with its surrounding States. While the bill proposes a number of changes to Connecticut liquor laws, our comments focus on the new language in Section 12 of the bill, allowing beer manufacturers to offer price promotions to its wholesalers. We believe this change, which is pro-consumer, is warranted.

The Governor's bill seeks to eliminate a restrictive and antiquated pricing regime and replace it with a more flexible and consumer-friendly law. In particular, the bill will allow manufacturers to offer price promotions that condition reimbursements to wholesalers on the price reductions they offer to retailers. A price promotion is similar to a rebate and is paid by the manufacturer to a wholesaler at the end of a defined price promotion period. Under this practice, the upfront pricing to the wholesaler remains the same. However, the manufacturer may offer its wholesalers an opportunity to receive a reimbursement for a price reduction it passes along to retailers. Once the price promotion period closes, the wholesaler must demonstrate that it sold the product at the reduced price reflected in

the manufacturer's offer. If the wholesaler complies with the terms of the offer it will receive the stated reimbursement from the manufacturer for every case sold at the lower price. Wholesalers are not required to participate, but if they don't do so they are not eligible for the reimbursement.

For example: a manufacturer offers a price promotion to its wholesalers that says if you reduce your price of X,Y,Z beer this month by \$1.00, for every one you sell at this reduced price during this promotional month we will give you back \$.70. If the wholesaler agrees to participate and at the end of the promotional period the wholesaler has sold 100 cases at the reduced price, the manufacturer pays the wholesaler \$70. Likewise, if the wholesaler chooses not to participate and does not provide any discount to its customers, the wholesaler will not receive any reimbursement from the manufacturer.

We believe price promotions create an incentive for wholesalers to pass discounts on to retailers and, in turn, consumers. It also helps ensure product freshness as a wholesaler is less likely to purchase more product than it can reasonably sell during the promotion period. A price promotion program simply pays the wholesaler for the amount of product the wholesaler sold to the retailer at a reduced cost, not the amount of product a wholesaler can ship into its warehouse.

Allowing for these types of price promotions clearly benefits the entire three-tier system (manufacturer, wholesaler, and retailer) and ultimately the consumer. For these reasons, we respectfully urge members to report the bill favorably out of committee.